

1995-96 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR_RCP_pt01a
- 05hrAC-EdR_RCP_pt01b
- 05hrAC-EdR_RCP_pt02

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

➤ **

➤ Committee Hearings ... CH

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Hearing Records ... HR

➤ **

➤ Miscellaneous ... Misc

➤ 95hrJC-Fi_Misc_pt56

➤ Record of Comm. Proceedings ... RCP

➤ **

IX. Department of Administration -- Nathaniel E. Robinson, Administrator, Division of Energy and Intergovernmental Relations

The department requests approval of a Stripper XVII Low Income Energy Assistance Oil Overcharge Plan proposal involving the disposition of \$1.265 million, plus interest, in Stripper monies in order to implement low income energy assistance pilot programs and to administer other energy efficiency and conservation initiatives.

Governor's Recommendation

Approve the request as submitted.

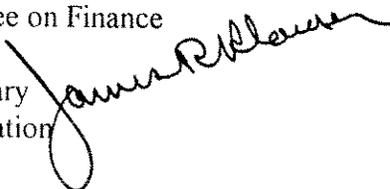
CORRESPONDENCE MEMORANDUM

STATE OF WISCONSIN
Department of Administration

Date: September 19, 1996

To: Members, Joint Committee on Finance

From: James R. Klauser, Secretary
Department of Administration



Subject: Section 13.10 Request from the Department of Administration for Approval of the Stripper XVII Low Income Energy Assistance Oil Overcharge Plan.

Request

In accordance with s. 14.065, the Governor requests approval of the Stripper XVII oil overcharge plan allocating a total of \$1.265 million of Stripper moneys, plus modifications and funding "deobligations" from previous Stripper programs.

Background

The proposal would commit \$1 million of oil overcharge funds that remained unallocated or unallotted by the Joint Committee on Finance at its April 1996 meeting under s. 13.10 plus additional overcharge funds to implement low income energy assistance pilot programs and for administering other energy efficiency/conservation initiatives. It attempts to implement the directive given by the Governor, and reinforced by the committee "to coordinate a thorough exploration of alternatives aimed at achieving a more sustainable low income funding strategy that will continue to meet the needs of Wisconsin as federal funding declines."

The request, as submitted, succinctly lays out the proposed pilot projects, intended benefits and associated costs. Those elements will not be repeated here.

In summary, the proposal is consistent with previous directives given to the Department of Administration and is offered to the Joint Committee on Finance for its consideration, modifications and approval.

Recommendation

Approve the request as submitted.

Prepared by: Dan Caucutt
266-0777



IX

TOMMY G. THOMPSON

**Governor
State of Wisconsin**

August 26, 1996

The Honorable Brian B. Burke, Co-Chair
Joint Committee on Finance
100 North Hamilton, Suite 302
Madison, WI 53707-7882

The Honorable Ben Brancel, Co-Chair
Joint Committee on Finance
119 Martin Luther King Junior Boulevard
Room LL2
Madison, WI 53708-8952

Dear Senator Burke and Representative Brancel:

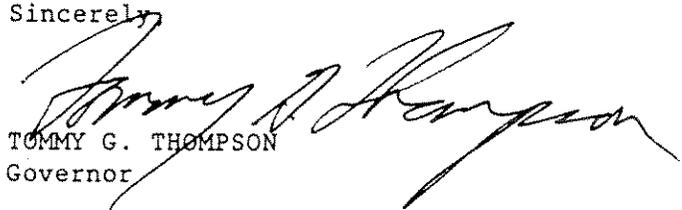
I am pleased to transmit the attached Stripper XVII Low Income Energy Assistance Oil Overcharge Plan for consideration by the Joint Committee on Finance (JCF). As required by Wisconsin Statute 14.065, I am also forwarding a copy to the Chief Clerk of the Senate and Assembly.

In response to cuts in Federal funding for Wisconsin's Low Income Home Energy and Weatherization Assistance Programs, on April 16, 1996, the Joint Committee on Finance (JCF) concurred with my direction to the Department of Administration *"to coordinate a thorough exploration of alternatives aimed at achieving a more sustainable low income funding strategy that will continue to meet the needs of Wisconsin as Federal funding declines."*

The Committee set-aside \$100,000 of Oil Overcharge funds in unallotted reserve for planning purposes and left \$900,000 unallocated. This Plan proposes to commit that \$1.0 million, plus additional Oil Overcharge funds to implement low income energy assistance pilot programs and for administering other energy efficiency/conservation initiatives. The low income energy assistance initiatives continue Wisconsin's aggressive and innovative approach to assist our most needy residents.

A total of \$1.265 million of Stripper monies, plus interest is recommended. I urge your support of this Plan. The Department of Administration staff will be available to provide additional information that may be required.

Sincerely,



TOMMY G. THOMPSON
Governor

cc: James R. Klauser, Secretary
Department of Administration

Nathaniel E. Robinson, Administrator
Division of Energy & Intergovernmental Relations

GOVERNOR THOMPSON'S 1996 LOW INCOME ENERGY ASSISTANCE OIL OVERCHARGE PLAN

Wisconsin Low Income Energy Initiative
Stripper XVII

Prepared by the Department of Administration
Division of Energy and Intergovernmental Relations
Wisconsin Energy Bureau

August, 1996

GOVERNOR THOMPSON'S 1996 LOW INCOME ENERGY ASSISTANCE OIL OVERCHARGE PLAN

Wisconsin Low Income Energy Assistance Initiative
Plan At-A-Glance

Cuts in Federal funding for the Low Income Home Energy and Weatherization Assistance Programs have created uncertainty about the future for Wisconsin's low income energy assistance recipients. In response to these concerns, on April 16, 1996 the Joint Committee on Finance (JCF) concurred with my direction to the Department of Administration (DOA) "to coordinate a thorough exploration of alternatives aimed at achieving a more sustainable low income funding strategy that will continue to meet the needs of Wisconsin as federal funding declines." This directive authorized DOA to coordinate efforts of interested organizations and concerned stakeholders and develop a Plan designed to address this potential problem. This Plan proposes to commit the \$100,000 placed in unallotted reserve for low income energy assistance by JCF on April 16, 1996, and \$1.165 million of unallocated oil overcharge funds to implement this effort. The five projects contained in this Plan meet one or more of the following objectives:

- Comprehensive energy efficiency services that reduce the energy burden; thus, increasing the affordability and quality of low income housing.
- Increase the efficiency of administering and delivering low income energy services.
- Increase the resources available to assist low income residents in meeting energy needs.
- Potential for Statewide technology transfer.

Each demonstration project emphasizes personal responsibility regarding energy consumption and contains a sustainable, long-term strategy for Statewide expansion. Each initiative is part of a partnership consisting of the private sector, local government, state agencies, non-profit groups, utilities and other involved parties -- all interested in the same objectives -- energy efficiency and energy conservation. This Plan also includes a comprehensive and independent program evaluation designed to provide guidance for modifications during project implementation and to determine the feasibility of Statewide expansion. A Management Committee will be formed and led by the Department of Administration to exercise oversight and track project performance. The Management Committee will have the authority to reallocate funding to successful pilot projects within approved budgets.

This Plan also allocates funds to pilot an intensive "green" building conservation program on the UW-Madison campus and a wind resource assessment program. Additionally, two funding exchanges and the deobligation of unspent funds from four previous oil overcharge programs, are proposed. The recommended low income energy assistance pilot projects are:

LOW-INCOME ENERGY ASSISTANCE PILOT PROJECTS

• Conservation Based Energy Assistance Project	\$200,000
• Homeowner Shared Savings Weatherization	\$200,000
• One-Stop-Shop for Energy & Housing Services	\$275,000
• Milwaukee Energy Network	\$200,000
• Campaign to Keep Wisconsin Warm	\$200,000
• Evaluation of Low Income Pilots	\$100,000
• Energy Program Oversight/Management	Interest

ADDITIONAL ENERGY EFFICIENCY INITIATIVES

• UW Building Conservation Program	\$40,000
• Wind Resources Assessment Program	\$50,000
Total	<u>\$1,265,000</u>

TECHNICAL MODIFICATIONS:

- Stripper XIV: Wind Demonstration Project
- Stripper VIII: Tribal Weatherization
- Stripper XVI: Low Income Pilot Project Development
- State Restitution: State Capital Relamping Project
- Exxon - Stripper XVII Fund Exchange

SUMMARY OF LOW INCOME PILOT PROJECTS

1. Conservation Based Energy Assistance Pilot Project \$200,000

CAP Services Inc. of Steven's Point: This pilot is designed to provide a higher level of energy efficiency services to low income households in Waushara County. Many low income residents live in inefficient dwellings and receive LIHEAP assistance but have little incentive to participate in weatherization programs. This project will provide an additional incentive to households to receive weatherization services based on housing type and energy efficiency status. Also, weatherization services will be expanded to include housing rehabilitation or relocation assistance if the dwelling cannot be made energy efficient.

CAP Services Inc. will lead the pilot working in partnership with Wisconsin Power & Light Company, Wisconsin Gas Company and the Waushara County Department of Social Services. In a national evaluation conducted by the U.S. Department of Energy's Oak Ridge National Laboratory, CAP Services' weatherization program was found to achieve the third highest savings in the nation. Loans will be made to homeowners and landlords and a portion of the costs of installing energy efficiency measures will be recovered; thus, ensuring long-term funding for the program. Because Federal weatherization guidelines do not allow costs to be recovered through loans, Oil Overcharge funds will be used to provide weatherization services. Approximately 80 households will be served over a two-year period to test this concept. Local staff will be funded to design the program, identify eligible households, conduct audits and establish and manage loan arrangements.

2. Homeowner Shared Savings Weatherization Pilot \$200,000

TecMRKT Works of Oregon, WI: This project will provide comprehensive "whole house" energy efficiency services to low income homeowners in an eleven-county area of Southwest and West Central Wisconsin (Polk, Barron, St. Croix, Dunn, Chippewa, Pierce, Pepin, Richland, Iowa, Grant, and Lafayette Counties). It will maximize energy savings by allowing weatherization providers to install additional cost-effective energy efficiency measures not typically covered under the existing State weatherization program and by providing energy efficiency education and training to occupants. A portion of the cost of installing the energy efficiency measures will be recovered through a shared savings arrangement on participants' utility bills.

Local community action agencies (CAA) will identify participants and conduct on-site energy audits to calculate savings and determine needed actions. From this information, the CAA will establish a payment structure and enter into a signed agreement with participants. The agreement will specify the energy efficiency measures and on-site energy efficiency training to be provided. The agreement will also encourage personal responsibility by requiring occupants to formally commit to live an energy efficient lifestyle consistent with the training. Once the measures are installed and the training is complete, monthly payments for participants' utility bills will be made to the CAA. The CAA will then pay participants' utility bills and retain a portion of the savings to recover part of the cost of installing the measures. The homeowner will realize the rest of the savings through lower energy bills.

TecMRKT Works, a private consultant, is the lead organization for this project. TecMRKT Works will work in partnership with West Central CAA and Southwest CAA to design the program, monitor on-going operations and provide support and consultation. The program management, operation and delivery will be provided by the local CAA. Federal weatherization guidelines do not allow costs to be recovered through a shared savings arrangement. Therefore, Oil Overcharge funds will be used to pay for energy efficiency improvements in the 30 households in this pilot project.

3. One-Stop-Shop for Energy Housing Services Pilot \$275,000

Wisconsin Coulee Region Community Action Program of La Crosse: To qualify for various low income energy and housing programs, applicants must complete multiple and often lengthy applications at different locations and with numerous intake workers. This results in a duplication of administrative services and is

time consuming, costly and confusing for applicants and government alike. Also, individual programs and organizations often provide separate, isolated services with no coordinated plan to address low income energy assistance and/or housing needs.

This project will pilot a one-stop-shop for energy and housing services in two areas -- La Crosse and Milwaukee Counties -- using a computerized intake, application and referral process. During a single visit, an intake worker will enter applicants' information into a standardized computer application, screen for eligibility of various programs and electronically transfer completed applications to the appropriate agencies for processing and service delivery. The two-part pilot will use existing and compatible software packages and coordinate existing systems and services customized to meet the specific needs of each community. Both systems also will be designed to transfer completed LIHEAP and Weatherization data directly into the State's mainframe computer. Coulee CAP, in partnership with stakeholders from Milwaukee County, will be responsible for coordinating the administration of both elements of the pilot project to assure that the computer systems are compatible and suitable for Statewide expansion. Oil Overcharge funds will be used primarily for developing the computerized system, purchasing equipment and training staff.

In La Crosse County, the Wisconsin Coulee Region Community Action Program (CAP) will lead the pilot and coordinate the energy and housing services provided by 13 local organizations. Based on the success of the pilot, this partnership plans to expand to more than 40 community service agencies in La Crosse County to coordinate a broader range of low income programs. However, in Milwaukee County, the Department of Human Services will lead the partnership in cooperation with utilities and local low income organizations.

4. Milwaukee Energy Network Pilot \$200,000

Community Advocates of Milwaukee: This project is designed to provide comprehensive energy efficiency services on an intensive basis for up-to 500 low-income households in Milwaukee County. Participants will receive counseling and assistance to establish affordable utility payment plans and maintain a regular co-payment schedule. They also will be required to attend a series of energy education workshops. Wisconsin Gas, Wisconsin Electric Power, Inter Faith Older Adult Programs, OIC-GM, Milwaukee County Human Services Department and the Milwaukee County Department on Aging have expressed support.

This pilot will also provide grants to supplement weatherization funding for low-income households to meet high energy efficiency standards in planned rehabilitation projects. The funds will partially cover the differential costs of the energy efficiency upgrades. The upgrades will expand traditional weatherization activities to include additional cost-effective measures. Project partners will coordinate existing resources and grant proposals to leverage available funding sources (e.g., CDBG, HUD, FHA, and utility low-income funds). Partners will also modify existing programs and procedures to incorporate energy efficiency measures into building rehabilitation programs.

5. Campaign to Keep Wisconsin Warm Pilot \$200,000

Energy Services, Inc. (ESI) of Madison: These funds will be used to assist low income households experiencing heating crises and/or requiring weatherization improvements. Benefits will be targeted to high risk households with elderly, disabled and children that are eligible for the LIHEAP and Weatherization programs. This project will also use a community-based approach to raise contributions from businesses, utility customers, community organizations and individuals in Dane County to expand its ability to meet low income energy assistance needs.

In addition to providing for heating crises assistance and weatherization improvements, Oil Overcharge funds will match each dollar of new private cash contributions collected by Energy Services Inc. (ESI). In an era of declining Federal dollars, many states and local communities throughout the country are implementing innovative strategies to attract alternative sources of funding without raising taxes. ESI has already initiated the basic components of this project, with plans for Statewide expansion.

6. Evaluation of the Low Income Energy Assistance Pilots \$100,000

Energy Center of Wisconsin: A thorough and credible evaluation of the pilot projects is necessary to determine the feasibility of Statewide replicability and expansion. It is imperative that this evaluation be conducted by a well-qualified organization, independent from the agencies operating the pilot projects, to ensure reliable and objective results. Given its previous experience and qualifications, this Plan proposes to contract with the Energy Center of Wisconsin to conduct or subcontract the evaluation.

The evaluators will meet regularly with the DOA-led Management Team to provide input about the ongoing progress of the projects. The evaluation will be a dynamic process that allows corrections to be made to program design and delivery as areas of improvement are identified rather than waiting until the pilot is completed. The evaluation will document the benefits directly received by low income households; the savings from improving the efficiency of administering and delivering the programs; and, the effectiveness of strategies to provide new long-term funding and other important elements. In addition, the evaluation will provide direction for Statewide expansion and information for other states confronting similar problems.

7. Energy Program Management **Accrued Interest**

Broad policy and oversight will be the responsibility of the DOA-led Management Team which will have the authority to reallocate funds within the approved budgets allocated for these pilots and to modify the methodologies/strategies, as the need arises. None of the accrued interest will be used for this purpose. However, for traditional technical assistance for the pilot projects' program development, monitoring and related administrative support to agencies and groups working with low income energy assistance issues, accrued interest will be used to support the increased involvement of the DOA Energy Bureau's staff time required to service and/or coordinate the initiatives defined in this Plan. Funding will come from future and accrued but unallocated Stripper XV interest (\$27,483.51, as of June 30, 1996) and future and accrued but unallocated Stripper XVII interest (\$11,577.17, as of June 30, 1996).

ADDITIONAL ENERGY EFFICIENCY INITIATIVES

1. UW Building Conservation Program \$40,000

Department of Administration (Division of Facilities Development): The Department of Administration, Division of Facilities Development, will lead a pilot, in partnership with the University of Wisconsin, to develop intensive "green" building conservation practices on the UW-Madison campus. Initially focusing on one-or-two buildings, the project will adapt the conservation practices to the Madison campus and UW system. The project will consist of six steps: data collection of current use, development of communication links among stakeholders, construction of a building management plan, demonstration of innovative products and practices, promotion of appropriate occupant behavior and performing an overall project evaluation. Energy conservation activities will be incorporated into all project components including energy education for faculty, students and building maintenance personnel. Innovative energy saving practices and equipment will be implemented. Building weatherization and modification to heating, ventilation, and air conditioning (HVAC) equipment will be completed as needed. Oil Overcharge funds will be used for program design and product delivery.

2. Wind Resources Assessment Program \$50,000

Department of Administration (Division of Energy and Intergovernmental Relations): These funds will be used to develop a Statewide wind data management and dissemination system. This wind data will be collected by Wisconsin utilities under the new Utility Wind Resource Assessment Program, which is the result of the Public Service Commission's Advance Plan 7, Order Point #5.5. The Energy Bureau will serve as the repository and disseminator of Statewide data to be collected under the program. Funds will be directly applied to data management, review and analyses, and dissemination. Funding is made available through the deobligation described under Technical Modifications, Funding Deobligations, paragraph A.

TECHNICAL MODIFICATIONS

1. FUNDING DEOBLIGATIONS

- A. **Deobligation of Stripper XIV - Wind Demonstration Project:** On February 2, 1994, the JCF's approval of the Stripper XIV plan included \$50,000 for a low windspeed turbine demonstration project. The funding was intended to pay a portion of Wisconsin Public Power Incorporated's (WPPI) cost of participating in the Wisconsin Utility Low Windspeed Turbine Project. WPPI has since elected not to participate in the project. These funds will be reallocated to the aforementioned Wind Resources Assessment Program.
- B. **Deobligation of Stripper VIII - Tribal Weatherization Funds:** The Wisconsin Conservation Corporation has asked that DOA deobligate \$72,000 originally allocated to Tribal Weatherization. The allocation was made by the Joint Committee on Finance under Stripper VIII on March 19, 1991. The intended beneficiaries of this funding have not been able to meet the requirements to receive it and the WCC does not anticipate any future Tribal Weatherization requests. These funds are reallocated as part of this low income energy assistance Plan.
- C. **Deobligation of Stripper XVI - Low Income Initiative Funds:** The \$ 100,000 allocated to this program on April 16, 1996 should be reallocated as part of this low income energy assistance initiative.
- D. **Deobligation of State Capitol Relamping Program:** The relamping program which the JCF approved on December 18, 1990 was accomplished without oil overcharge funds. This deobligation will make available an additional \$39, 100 in oil overcharge funding. These funds are to be reallocated to the aforementioned UW Building Conservation Program.

2. EXXON - STRIPPER XVII FUNDING EXCHANGE

This exchange maximizes Federal funds available for low income energy assistance and provides the flexibility to implement the demonstration projects. This Plan exchanges \$1,068,000 of available Stripper XVII funding and \$32,000 of deobligated Tribal Weatherization funds with \$1.1 million in Exxon funds approved by the Governor and JCF on January 11, 1993 for the Low Income Home Energy Assistance Program (LIHEAP). Federal LIHEAP regulations allow a dollar-for-dollar Federal match to State LIHEAP expenditures made with Stripper funds, but not with Exxon funds. Therefore, this exchange will provide an additional \$1.1 million of Federal LIHEAP funding and not impair the implementation of the demonstration projects delineated in this Plan.

The following Tables summarize the financial transactions embodied in this Plan

PROPOSED LIHEAP FUND TRANSFER		
Transfer TO LIHEAP		
	New Stripper XVII Funds	\$968,000
	Deobligated Stripper XVI funds	\$100,000
	Deobligated Stripper VIII Tribal Weatherization Funds	<u>32,000</u>
Total		\$1,100,000
Transfer FROM LIHEAP		
	Exxon funds	\$1,100,000

PROPOSED REVENUE SOURCES	
Reallocated Exxon Funds from LIHEAP	\$1,100,000
Deobligated State Restitutionary Funds	\$39,100
New State Restitutionary Funds	\$35,900
Deobligated Stripper VIII Tribal Weatherization Funds	\$40,000
Deobligated Wind Demonstration Funds	<u>\$50,000</u>
Total	\$1,265,000

PROPOSED EXPENSES	
Conservation Based Energy Assistance Project	\$200,000
Homeowner Shared Savings Weatherization	\$200,000
One-Stop-Shop for Energy & Housing Services	\$200,000
Milwaukee Energy Network	\$275,000
Campaign to Keep Wisconsin Warm	\$200,000
Evaluation of Low Income Pilots	\$100,000
UW Building Conservation Program	\$40,000
Wind Resources Assessment Program	\$50,000
Energy Program Management	<u>*</u>
Total	\$1,265,000

* Receives interest



Legislative Fiscal Bureau

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OK

IT Board in DOA?

FOA records
\$195,200

September 26, 1996

where the
difference?
(see DOA
letter)

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Veterans Affairs -- Section 13.10 Request for Funds to Pay IT Migration Plan Costs for FY 1996-97 -- Agenda Item X

INTRODUCTION

The Department of Veterans Affairs (DVA) requests a supplement to two SEG appropriations to fund the agency's information technology (IT) infrastructure migration plan costs for fiscal year (FY) 1996-97. The request is for an increase of \$84,100 SEG in the appropriation for administration of loans and aids to veterans and an increase of \$128,000 SEG in the appropriation for the general program operations of the self-amortizing mortgage loan program.

BACKGROUND

On February 1, 1995, Governor Thompson issued an executive order directing the Department of Administration (DOA) to establish and implement enterprise IT standards for state agencies' IT infrastructure in order to upgrade and standardize the state's basic IT infrastructure.

DOA proceeded to develop enterprise standards in five areas of basic IT infrastructure: (1) desktop hardware and software; (2) network hardware and software; (3) support, training, and disaster recovery; (4) E-mail and voice mail; and (5) printers, copiers and faxes. For example, the minimum standard for a personal computer under the desktop standards requires a 15" color monitor, a Pentium/75 (or Intel 486) processor and related, specified minimum amounts of memory capacity.

Further, to move all state agencies to these standards, DOA required that each state agency develop and submit a four-year IT migration plan. The migration plan was required to include the agency's mitigation path, time schedule over the four year period for reaching the new standards and a cost estimate of the basic IT infrastructure needed to meet the state's IT standards by the end of FY 1998-99. Each agency's plan was to be submitted by March 1, 1996.

The DVA submitted its plan to DOA on March 3, 1996. Under its plan, DVA indicated total additional expenditure needs for departmental activities funded from these two appropriations of \$69,500 SEG in FY 96, \$265,200 SEG in FY 97, \$207,800 SEG in FY 98 and \$249,000 SEG in FY 99, for a total migration plan cost for these programs of \$791,500 SEG for the four years.

This request relates to the IT migration plan costs for these programs for FY 97. The DVA estimates total costs for FY 97 at \$265,200; however, the agency plans to use \$52,500 of its base supplies and services and permanent property funds to meet part of the plan costs. To fund the remaining costs (\$212,700), DVA is requesting a supplement to be apportioned between s. 20.485(2)(u) (loans and aids programs) in the amount of \$84,100 SEG and s. 20.485(3)(s) (self-amortizing loan program) in the amount of \$128,600 SEG.

ANALYSIS

Neither the Joint Finance Committee nor the Legislature has ever specifically been asked to concur in the DOA mandate requiring each state agency to implement a four-year IT infrastructure migration plan. However, prior action by the Committee approving s. 16.515 requests from DOA for information technology investment fund (ITIF) grants and related increases in certain other PR appropriations included authorizing funding for various agencies to allow IT infrastructure upgrades consistent with the DOA-required agency migration plans.

In order for DVA to implement the second year of its migration plan, DVA appears to need to make the additional expenditures. DVA's plan for expenditures includes the following components listed in the table below.

**Total Migration Plan Expenditures
1996-97**

<u>Standards Component</u>	<u>Amount</u>
Desktop ¹	\$118,400
Network ²	122,900
Customer Service ³	15,400
Application ⁴	<u>8,500</u>
 Total	 \$265,200

¹This standards component includes desktop and mobile computers, basic software, electronic mail and voice mail.

²This standards component includes Internet access and service, Windows networking tools, file servers and print servers, network printers, necessary cables, and fax technology.

³This standards component represents primarily computer training services for DVA staff.

⁴This component includes the purchase of Microsoft Office software, which contains Word, Excel, MS Mail and Schedule + programs.

For 1996-97, DVA projects that its total expenditures for supplies and services and permanent property (including the \$265,200 to implement the migration plan for FY 97) will result in a shortage of \$247,800 in the budgeted amount in these two appropriations for supplies and services and permanent property. However, a projected surplus of approximately \$35,100 in the salary line would offset supplies and services and permanent property budget shortage and thus reduce the amount of the supplement requested to a total of \$212,700.

If the requested supplement is not approved, DVA would presumably have to delay some or all of its planned 1996-97 migration plan activities until the next year. Since DVA has indicated that it is including in its 1997-99 budget request increases to meet these similar migration plan costs for FY 98 and FY 99, the Department would then either have to delay meeting the migration plan implementation deadline or to seek additional funding in its budget request to cover the 1996-97 plan costs. However, DVA notes that part of the migration plan directive is to not only meet the deadline date, but also to spread the costs and implementation activities approximately evenly over the total four year period.

The \$84,100 SEG supplement requested for the veterans loans and aids administration appropriation would come from the veterans trust fund and the \$128,600 SEG supplement requested for the self-amortizing mortgage loan general program operations appropriation would come from the veterans mortgage loan repayment fund. Each of those funds is currently projected to have a significant balance at the end of fiscal year 1996-97 (approximately \$14.4 million for the veterans trust fund and approximately \$28.6 million for veterans mortgage loan

128,600
 84,100

 212,700 Page 3

repayment fund) so that there are sufficient revenues available to cover these increased expenditures.

CONCLUSION

Since the Committee has previously acted to provide similar funding supplements to other state agencies to permit those agencies to take steps to under their IT migration plans to meet the DOA infrastructure standards by the end of fiscal year 1998-99, it may wish to approve the supplement amounts requested by DVA for fiscal year 1996-97 [a supplement of \$84,100 SEG to appropriation s. 20.485(2)(u) and a supplement of \$128,600 SEG to appropriation s. 20.485(3)(s)].

Prepared by: Tricia Collins

XI. Department of Administration -- Mark Wahl, Administrator, Division of Technology Management

This item was submitted to the committee under s. 16.515 on July 10, 1996; the committee chose to schedule it for review at the September meeting under s. 13.10.

The Department of Administration requests approval of \$132,500 SEG in 1996-97 from the Information Technology Investment Fund for administration of the fund.

STATE OF WISCONSIN



SENATE CHAIR
BRIAN BURKE

100 North Hamilton
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Madison, WI 53707-7882
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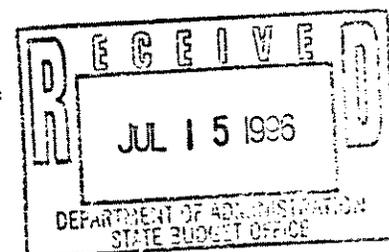
ASSEMBLY CHAIR
BEN BRANCEL

119 Martin Luther King Blvd.
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Madison, WI 53708-8952
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JOINT COMMITTEE ON FINANCE

July 15, 1996

Secretary James R. Klauser
Department of Administration
101 East Wilson Street, 10th Floor
Madison, WI 53707



Dear Secretary Klauser:

On July 10, 1996, we received a s. 16.515 request from you for approval of funding releases to agencies for 1996-97 ITIF project awards and for increases in certain agencies program revenue appropriations. These requests are currently under review by the Committee under a 14-day passive review process.

However, as a part of the request presentation to the State Budget Office, you also indicated the need to be able to proceed immediately with certain administrative expenditures associated with collection of the bidders list registration fee. That fee is now the principal revenue source that has been established to provide monies to the information technology investment fund (ITIF). As you noted in that part of the request, in April of this year, in addition to the ITIF grants award request that was before the Committee at that time, there was also a separate request on the agenda to transfer \$80,000 SEG in 1995-96 and \$132,500 SEG in 1996-97 from the ITIF to DOA's appropriation for administration of the ITIF. Action on that request, as well as the ITIF grants funding request, was deferred at that meeting because the administrative rule to provide revenues to the fund had not yet been approved by the Legislature.

The revised ITIF request was not formally conveyed to the Committee until the July 10, 1996, meeting of the Committee. Consequently, there was not sufficient time to add the 13.10 request for transfer of funding to the ITIF administrative appropriation to the agenda

James Klauser, Secretary
June 15, 1996
Page 2

for that meeting. However, the Co-chairs will schedule the request for 1996-97 funding of \$132,500 SEG for consideration at the Committee's September 13.10 meeting. In the meantime, the Committee does not object to your proposal to proceed to incur initial costs associated with that fee collection and other related administrative activities so long as they are consistent the original request for 1996-97 funding and with the understanding that any such costs incurred will ultimately be paid from the \$132,500 SEG requested for the administrative appropriation for 1996-97.



BRIAN BURKE
Senate Chair

Sincerely,



BEN BRANCEL
Assembly Chair

cc: Members, Joint Committee on Finance
Linda Nelson, DOA



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

September 26, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Health and Family Services -- Section 13.10 Request for Approval of Model Contract for Purchase of Services in Community-Based Residential Facilities under COP -- Agenda Item XII

The Department of Health and Family Services (DHFS) requests that the Committee approve the model contract developed by the Department for the purchase by counties of services in community-based residential facilities (CBRFs) under the community options program (COP).

BACKGROUND

The 1995-97 biennial budget act requires the Department to develop, by January 1, 1997, a model contract for use by counties for purchases of long-term care services in CBRFs under the COP program. The budget act also requires the Department, prior to implementation, to obtain approval from both the Committee and the Governor for the model contract. Beginning January 1, 1997, counties are required to use this model contract or a contract that includes all of the provisions of the approved model contract, for any services provided by a CBRF that are funded under COP.

One of the major goals of a model contract is to promote cost control for COP expenditures. In the recent past, the use of CBRFs by COP participants and the average cost for CBRF services have increased significantly. In addition to controlling costs, a model contract would ensure availability of a contract and would provide uniformity for organizations that operate CBRFs in more than one county.

Under current law, county human or social service departments are required to utilize a written contract, meeting specified standards, when purchasing services. The statutes authorize

DHFS to waive these requirements for a written contract if the purchase is for \$10,000 or less.

County contracts must comply with the following statutory requirements:

Specifying Caseload and Payment Rates. The contract must specify the total dollar amount to be purchased, the number of clients to be served and the unit rate per client service;

Payment Method. Payments must be made either on the basis of actual allowable costs or on the basis of a unit rate per client service multiplied by the actual client units furnished each month;

Reimbursement Limited to Actual Costs. Payments made to the provider in excess of actual allowable costs must be refunded to the county except that nonprofit, nonstock corporations organized under ch. 181 may retain surplus payments up to 5% of the contract amount to cover deficits incurred in any preceding or future contract period;

Advance Payment Limit. The contract may allow advance payments of up to one-twelfth of an annual contract and requires a surety bond for advance payments in excess of \$10,000;

Audit Requirement. Unless waived by the Department, an audit is required every two years (annually if required by federal law) if the services purchased exceed \$25,000;

Required Accounting System And Cooperation. The provider must maintain a uniform double entry accounting system and a management information system compatible with systems prescribed by the Department (family-operated group homes may use a simplified system designed by the Department) and must cooperate with the county in establishing costs for reimbursement purposes;

Prior Approval for Client Care Changes. The provider must obtain approval from the county before transferring a client from one category of care to another; and

Required Fee Collection. Unless waived by the county with the approval of DHFS, the provider must charge a uniform schedule of fees, as established by the Department and apply these revenues to offset the amount paid under the contract.

State law permits the Department to either promulgate rules or establish procedures regarding contracts for the purchase of services. The Department has established a general model contract for the purchase of services that includes: (a) the requirements described above; (b) other state and federal requirements; and (c) standard contract provisions. These standards are described in the Department's *Financial Management Manual for Counties, Tribes and 51 Boards*, and in some cases, are different or add to the statutory requirements. For example, it is the Department's policy to require annual audits for contracts over \$25,000 unless waived by the Department. Also, the Department has established maximum dollar limits on the amount of

surplus revenues (revenues in excess of allowable costs) that can be retained by a nonprofit corporation.

ANALYSIS

The CBRF model contract was derived from the general model contract. Although there are several differences, the CBRF model contract follows the general model except that the provisions are modified to be specific to purchasing services from a CBRF. As with the general model contract, the CBRF model contract incorporates all of the statutory contract standards. Also, as does the general model contract, the CBRF model contract contains a number of additional provisions, many of which are taken from the general model contract. The more significant items are highlighted below.

Cost Reporting and Payment Provisions. The model contract would require that: (a) a maximum contract amount be specified; (b) the county retain the right to decrease the units of service to meet actual needs; (c) the rate per unit cannot exceed total allowable costs divided by the total anticipated units of services to all clients; and (d) the CBRF fill out a cost worksheet that details the CBRF's costs for establishing the rate charged to the county.

Audit Requirement. Unless waived by the Department, an annual audit is required, rather than a biennial audit, for programs that do not require an annual audit under federal law.

Note: Although the contract language does not refer to the \$25,000 threshold for requiring an audit, it is the Department's policy, as stated in the *Financial Management Manual* and required by statute, that an audit would not be required for contracts under \$25,000, although counties have the option of requiring an audit for these smaller contract amounts.

County Rights. The model contract reserves a number of rights to the county, including the right to: (a) determine the CBRF's compliance with all applicable statutes and regulations; (b) authorize payment only for services rendered in compliance with applicable statutes and regulations and consistent with the degree to which the terms of the purchaser's care plan for the residents have been fulfilled; (c) be notified by the CBRF within one business day of any significant change in the condition of the resident; and (d) undertake quality assurance efforts.

Civil Rights Compliance. The CBRF must agree to comply with the county's civil rights compliance policies and procedures and must file a civil rights compliance action plan.

Note: This language reflects the requirements established for subrecipients of federal funds to comply with federal and state laws and regulations. As permitted by federal and state laws and regulations, the Department's policy, as stated in the *Financial Management Manual*, is that if a provider has less than 10 employees and/or receives a county agency contract of less than \$10,000, the county can replace "action plan" in the contract language with "assurances."

Indemnity and Insurance. The CBRF must indemnify the county against any loss, damages and costs arising from injuries or other events during the individual's stay at the CBRF, unless caused by the county. Also, the CBRF must maintain a liability insurance policy (a required amount may be specified in the contract but is not mandatory).

Compliance with State Laws, Rules and Policies. The model contract requires that services provided under the contract comply with state laws and administrative rules for CBRFs, applicable policies and procedures of DHFS, and the conditions set forth in the state/county contract covering the administration of income maintenance and other programs.

Some of these items, such as the requirement for liability insurance, represent standard contract clauses. Other items, such as the civil rights provisions and requirement to comply with state laws and regulations, simply reaffirm laws or regulations that would apply to the CBRF, whether or not the provision was contained in the contract. There is a more frequent audit requirement when federal funds are not involved but that would serve to strengthen the county's review of the CBRF's costs and reflect the Department's current policy for county contracts in general. Likewise, some of the other provisions, such as the provision that limits the rate charged the county to the average allowable cost for all residents, may also serve to control costs. Finally, the remaining provisions, such as the right to conduct quality assurances activities, would serve to provide the county the ability to better ensure that clients receive quality care. The contract language in the CBRF model contract is identical to that in the general model contract for the following items: (a) audit requirements; (b) civil rights compliance; (c) indemnity and insurance; and (d) compliance with state laws, rules and policies.

When the Department submitted the Model CBRF contract to the Committee there was no indication that many of the Department's current policies, as stated in the *Financial Management Manual*, would govern the application of the CBRF model contract. In some sections of the CBRF model contract there are references to the *Financial Management Manual*; however, other sections of the CBRF contract, do not refer to the Department's policy manual, although it is the Department's intention that the Department's general contract policies would apply. For example, the language in the CBRF model contract states that an annual audit is required, but does not make any reference to the Department's policy manual nor does the contract language contain any indication that the county would not have to require an audit nor have to obtain a Department waiver from the audit requirement if the contract amount is for less than \$25,000.

In order to clarify this, it may be useful to include in the CBRF contract a statement that the Department's general contract policies, as detailed in the *Financial Management Manual*, would pertain to the use of the CBRF model contract. This would clarify, for example, that a county could exclude the audit requirement without a Department waiver if the contract amount was for less than \$25,000, or that a county would only have to require a statement assuring compliance with civil rights requirements (rather than an action plan) if the CBRF has 10 or fewer employees.

Since the submission of the contract to the Committee, DHFS has identified some minor technical changes that should be made. The attachment to this memorandum details the specific changes. A brief summary of these technical corrections is provided below:

1. *Time Allowed for Reviewing Records (pg. 3)*. This provision would specify that the county's right to review the CBRF's records would be limited to normal business hours, rather than at any time.
2. *Evaluation of Residents' Satisfaction (pg. 4)*. The model contract requires an annual evaluation of the residents' satisfaction with the facility. However, the model contract does not relate this requirement to the current administrative rule [HSS 83.32(2)(c)1] for an evaluation of the resident's satisfaction. The technical correction would incorporate and refer to the administrative rule for this evaluation.
3. *Receipts for Resident Payments (pg. 8)*. This provision would specify that the CBRF must issue a receipt for payments made by anyone on behalf of the resident rather than only for payments made by the resident or the resident's spouse. Also, this provision would require that the CBRF send a copy of the receipt to the county.
4. *OCI Reference (pg. 8)*. This section corrects the reference to the Office of the Commissioner of Insurance.
5. *Affirmative Action Title Reference (pg. 9)*. This section deletes the reference to affirmation action in the title of the section on Civil Rights Compliance.
6. *Correct Statutory Reference for Closing Facility (pg. 10)*. This provision corrects the reference to the statutory provisions for closing a facility.

ALTERNATIVES

1. Approve the model contract, as modified by the technical corrections listed in the appendix.
2. Approve the model contract, as modified by the technical corrections listed in the appendix, and specify that the Department of Health and Family Service's general contract

policies, as detailed in the Department's *Financial Management Manual for Counties, Tribes and 51 Boards*, would apply to the use of the CBRF model contract.

Prepared by: Richard Megna
Attachments

ATTACHMENT

Time Allowed for Reviewing Records (page 3)

- (4) To review the records of any purchaser-supported CBRF resident ~~at any time during~~ normal business hours and to monitor the performance of services provided to purchaser-supported CBRF residents. The CBRF will cooperate with the purchaser in these efforts, and will comply with the requirements of monitoring plans specified as attachments to this contract, if any.

Evaluation of Residents' Satisfaction (page 4)

- b. The CBRF will develop and implement a method to annually evaluate the satisfaction of residents and their families ~~(and guardians, if applicable) with the management, residential environment, staffing, interpersonal relationships, and program and services of the CBRF~~ in accordance with the requirements of HSS 83.32(2)(c)1. The CBRF shall make ~~the results of the evaluation available to the purchaser~~ copies of the evaluations provided by purchaser-supported residents, and any summary of the evaluations of all residents, available to the purchaser. ~~The evaluation shall be either:~~
 - ~~• A form developed by the facility and approved by the Department of Health and Family Services.~~
 - ~~• A Department of Health and Family Services form~~

Receipts for Residents Payments (page 8)

- G. Provider shall ~~receipt all client or spouse payments~~ issue a receipt for any and all payments made by, or on the behalf of, a purchaser-supported resident that are made directly to the provider for services provided under this agreement — whether or not Provider has billing responsibility. A copy of each receipt shall be sent to the purchaser.

OCI Reference (page 8).

- B. Provider agrees that, in order to protect itself as well as Purchaser under the indemnity provision set forth in the above paragraph, Provider will at all times during the terms of this Contract keep in force a liability insurance policy issued by a company authorized to do business in the State of Wisconsin and licensed by the Wisconsin Office of the Commissioner of Insurance Department. Upon the

execution of this Contract, Provider will furnish Purchaser with a certificate from the insurer of the existence of such insurance. In the event of any action, suit, or proceedings against Purchaser upon any matter herein indemnified against, Purchaser shall, within five working days, cause notice in writing thereof to be given to Provider by certified mail, addressed to its post office address.

Affirmative Action Title Reference (page 9).

VI. ~~Affirmative Action~~/Civil Rights Compliance

Correct Statutory Reference for Closing Facility (page 10).

- F. Both parties understand that if the cancellation of the contract by either party results in the closing of a CBRF, both parties have certain statutory obligations. Chapter 50.03(14)(4), Stats., governs the closing of a Community Based Residential Facility (CBRF). It states that, upon DHFS approval of the facility's plan to relocate its residents (or the imposition of such a plan by the DHFS), the facility must establish a closing date not earlier than 90 days from the date of DHFS approval or imposition of the relocation plan when 5 to 50 residents will be relocated. This same statute also requires a minimum 120 day period when more than 50 residents will be relocated. In addition, s. 50.03(14)(b), Stats., mandates that county agencies of the county in which the facility is located shall participate in the development and implementation of individual relocation plans. It also requires that agencies of other counties which have responsibility for facility residents shall participate in the development and implementation of individual relocation plans for those residents. Therefore, county agencies clearly have a responsibility to be actively involved in resident relocation when a CBRF is closing.